

Senate Bill 286 Electricity Choice

SUMMARY

Senate Bill 286 allows commercial and industrial customers to choose alternative electricity service, including options to buy 100% renewable energy, and sign contracts for delivery of electricity separate from the local utility company. The bill will encourage competition and reduce prices for electricity. This, in turn, will give California businesses the necessary tools to make cost-effective energy decisions and make California more business friendly, while providing new flexible options for meeting the state's renewable energy and greenhouse gas reduction goals.

ISSUE

As the state's electrical system evolves to include more renewables and distributed power sources, the utilities' are co-evolving to provide safe and reliable power. Whether it comes from efficient natural gas power plants, large wind or solar facilities, or customer-owned generation like roof-top solar, fuel cells, or combined heat/power systems, the role of the utilities will be to ensure energy gets from source to customer. In effect, the utilities will become wire companies, connecting customers with the power mix they want when and where they need it.

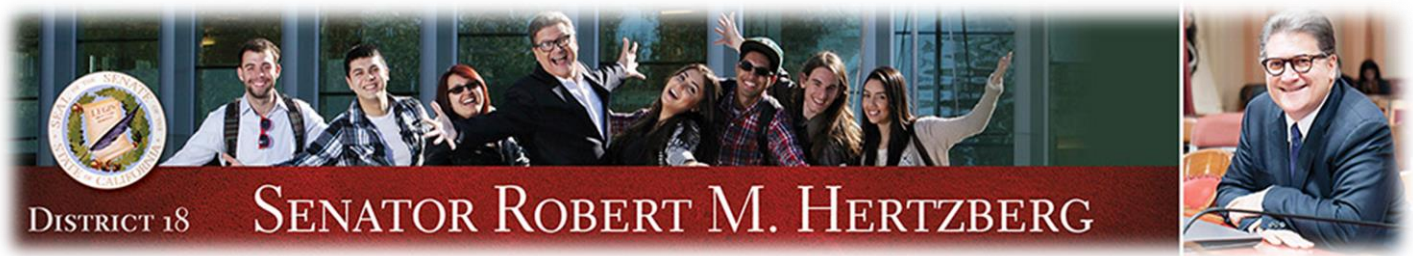
California already has a few examples for this business model, including Community Choice Aggregation and Direct Access (DA) services. DA allows customers to purchase electricity from an Electric Service Provider (ESP), rather than a private investor-owned utility (IOU). Under DA agreements, the ESP provides power from their own generation stations or through purchased power contracts to a business, agricultural, or industrial site in the utility areas of PG&E, SCE, and SDG&E. The power is delivered over the IOU's existing transmission lines; the IOUs are paid for providing that service as well as for being on standby to serve power that the ESP fails to. The vast majority of the 44,000 customers using DA services are commercial business, including hospitals, grocery stores, schools, universities, and retail businesses.

DA suppliers are required to follow the same laws and regulations as the large utilities. Consequently, ESPs are subject to the Renewable Portfolio Standard, the same portfolio content balance requirements, and the same penalties for failure to comply. DA suppliers also must comply with Cap and Trade and the CPUC's emissions performance standard. DA customers also pay all of the charges that IOU customers do, including standby charges, transmission and distribution grid maintenance, and funding to support public purpose programs like low-income rates and energy efficiency. For DA customers, this is called the Purchased Cost Indifference Amount (PCIA), and the CPUC is required to ensure there is no rate impact for the remaining utility customers.

Current law caps the total amount of electricity that can be delivered through DA service; in 2014, it was about 12% of the statewide electrical load. However, since the current DA market was opened in 2011, demand for alternative electricity service has remained high. The DA allocations in all three IOU territories were filled in a matter of seconds.

SB 286 (HERTZBERG)

SB 286 eliminates the cap on new direct access over the next three years. The goal is to create market competition and to provide customers with choices, including buying 100% renewable energy.



SUPPORT for SB 286

3Phases Renewables	Dynegy, Inc.	Retail Energy Supply Association
AES	Energy Users Forum	School Project for Utility Rate Reduction
Alliance for Retail Energy Markets	Fabrica International, Inc.	Shell Energy North America
Aviva Energy Corp.	Gas & Power Technologies, Inc.	Stanford University
Bericap	Guardian Industries	Staples
CA Mfg and Tech Assn.	IBM	TechNet
CA Retailers Association	IGS Energy	TES Energy Services,LP
California State Universities	JDSU	Think Wire Energy Services
Cargill, Incorporated	Just Energy Group Inc.	Tiger Natural Gas
Cinemark USA, Inc.	Lehigh Hanson	Walmart
Commerce Energy, Inc.	Liberty Power Corp., LLC	Western Power Trading Forum
Community College League of CA	Lineage Logistics	
Constellation New Energy, Inc.	Macy's, Inc.	
Direct Access Customer Coalition	Noble Energy Solutions	
Direct Energy	Oakley, Inc.	